

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

**COPY**

COMMODITY FUTURES TRADING COMMISSION,

Plaintiff,

v.

Larry M. Webman, Melvin H. Webman, Lyle Wexler,  
International Forex Advisory Group, and Worldwide  
Currencies Corp.,

Defendants.

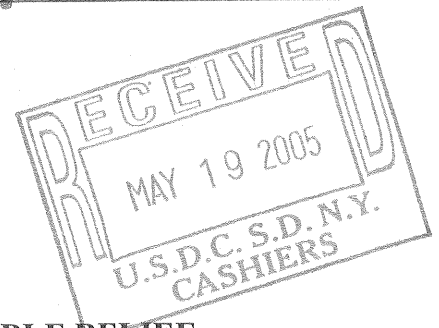
**JUDGE KRAM**

CIVIL ACTION

**05**

**CV**

**4819**



**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF  
AND CIVIL MONETARY PENALTIES PURSUANT TO THE COMMODITY  
EXCHANGE ACT, 7 U.S.C. § 1 ET SEQ.**

By and for its complaint, Plaintiff Commodity Futures Trading Commission (the  
“Commission”) alleges as follows:

**I. SUMMARY**

1. Between December 2003 and August 2004, International Forex Advisory Group (“IFA Group”), by its employees, including Lyle Wexler (“Wexler”), solicited almost \$2.5 million in funds from at least 106 customers to invest in options on foreign currency (“forex options”).

2. Between July 2004 and November 2004, Worldwide Currencies Corp. (“Worldwide”), by its employees including Wexler, solicited over \$370,000 from at least 28 customers to invest in forex options.

3. IFA Group and Worldwide, by its employees including Wexler, knowingly misrepresented and failed to disclose material facts concerning, among other things, (i) the

likelihood that a customer would realize large profits trading forex options; (ii) the risk involved in trading forex options; and (iii) IFA Group's and Worldwide's poor performance record trading forex options on behalf of customers, all in violation of the anti-fraud provisions of Section 4c(b) of the Commodity Exchange Act (the "Act"), 7 U.S.C. § 6c(b) (2002), and Sections 1.1(b) and 32.9 of the Commission Regulations, 17 C.F.R. §§ 1.1(b), 32.9 (2004).

4. At all relevant times, Larry M. Webman and Melvin H. Webman (collectively, the "Webmans") directly or indirectly controlled IFA Group and Worldwide.

5. Unless enjoined by this Court, defendants are likely to continue to engage in the acts and practices alleged in this Complaint, as more fully described below.

6. Pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, the Commodity Futures Trading Commission ("Commission") brings this action to enjoin Worldwide and IFA Group from soliciting new customers and customer funds and to enjoin all of the defendants from any other unlawful acts and practices, and to compel their compliance with the Act.

## **II. JURISDICTION AND VENUE**

7. This Court has jurisdiction over this action pursuant to Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation or order thereunder.

8. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because defendants transacted business in this District and violations of the Act have occurred, are occurring, or are about to occur within this District, among other places.

### III. THE PARTIES

#### THE PLAINTIFF

9. The Commodity Futures Trading Commission is an independent federal regulatory agency that is charged with the responsibility for administering and enforcing the provisions of the Act, as amended, 7 U.S.C. §§ 1 *et seq.*, and the Commission Regulations, 17 C.F.R. §§ 1 *et seq.*

#### THE DEFENDANTS

10. **Melvin H. Webman** resides in Miami, Florida. He is president of IFA Group and is listed in IFA Group's filings with the Florida Department of State as IFA Group's registered agent. In 1981, Melvin Webman consented to entry of a permanent injunction against him, prohibiting him from violating Section 4c(b) of the Act, and Commission Regulations 32.9 and 32.11. In March 1982, Webman consented to an offer of settlement of an administrative action by the Commission relating to the conduct that gave rise to the injunctive action. In that settlement, Webman consented to a permanent ban from employment or association with any registrant. Prior to those actions, Webman was registered with the Commission at various times. He was not registered with the Commission at any time relevant to this Complaint.

11. **Larry M. Webman** resides in North Miami Beach, Florida. He is an officer and controlling person of both IFA Group and Worldwide. Larry Webman was named as a co-defendant with his brother Melvin Webman in the afore-mentioned enforcement actions, and like his brother, he consented to entry of a permanent injunction against him, and to a permanent ban from the industry. In 1991 he entered a guilty plea in response to a federal criminal indictment brought in this Court for fraud in connection with the sale of state tax stamps. In 1997, a default

judgment was entered against Larry Webman by this Court for over \$8 million in unpaid restitution. He was not registered with the Commission at any time relevant to this Complaint.

12. **Lyle Wexler** resides at resides in Miami Beach, Florida. Since at least April 2004 Wexler has been employed by IFA Group and Worldwide as a foreign currencies broker and solicitor of new customers. He was not registered with the Commission at any time relevant to this Complaint.

13. **IFA Group** is a Florida corporation whose principal place of business is in Miami, Florida. Between at least December 2003 through August 2004, IFA Group solicited retail customers to engage in foreign currency options transactions. IFA Group was not registered with the Commission at any time relevant to this Complaint.

14. **Worldwide Currencies Corp.** is a Florida corporation whose principal place of business is the same as IFA Group's. Since at least July 2004 Worldwide has solicited retail customers to engage in foreign currency options transactions. Worldwide was not registered with the Commission at any time relevant to this Complaint.

#### **IV. FACTS**

##### **A. IFA Group and Worldwide Fraudulently Solicited Customers to Invest in Forex Options**

##### **The Defendants Misrepresented the Profit Potential of Forex Options**

15. IFA Group and Worldwide, by their employees including Wexler, repeatedly assured customers that they would reap quick profits by an investment with IFA Group, and then with Worldwide. IFA Group and Worldwide employees were given written scripts for use when soliciting customers.

16. Since December 2003, and continuing to January 2005, IFA Group and Worldwide have solicited numerous persons who reside in this district. At least 11 customers

who reside in this district were persuaded to invest for the purpose of trading forex options by employees of IFA Group and Worldwide.

17. IFA Group and Worldwide employees falsely represented that customers could make 25%, 50%, even 100% profit with a month to three months by trading forex options.

18. For example, defendant Wexler made claims regarding profit potential including the following:

- if the customer agreed to send Wexler \$10,000 the customer would get the \$10,000 back, plus three times his investment;
- “If you had traded the euro against the dollar last week, you would have made \$30,000 on an investment of \$10,000 by this week.”

19. Other IFA Group and Worldwide employees made similarly exaggerated claims about potential profits, including the following:

- that “forex investments are the fastest way to profits available”;
- that if the customer had traded forex options with IFA Group or Worldwide the week before, he would have “huge profits” today;
- “I promise you that this time next week your money will double.”
- “This time next week you’re going to buy me a car.”
- had the customer traded forex options 6 weeks earlier, the customer would have made huge profits by today.

### **The Defendants Misrepresented the Risk of Trading Foreign Currency Options**

20. IFA Group and Worldwide, by their employees including Wexler, also routinely failed adequately to disclose the risk of loss inherent in the trading of forex options. Although some IFA Group and Worldwide employees did make occasional and passing reference to risk in their conversations with customers, the effect of such advice was nullified by much stronger claims that an investment with IFA Group or Worldwide was actually risk-free. For example, Wexler told customers

- that he “never misses” when he picks a forex options trade;
- in advance of and after being recorded to confirm a trade, that the customer should not take mention of risks to heart, and that although Wexler had to mention risks in the recorded call, those risks did not pose any real threat to the customer’s investment, which would surely increase.

21. Other IFA Group and Worldwide employees told customers that:

- “there is no way not to make money in forex today”;
- IFA Group’s and Worldwide’s trading techniques would operate to reduce or control risk; and that,
- a trade on the euro or British pound against the dollar was a “sure bet.”

### **The Defendants Misrepresented IFA Group’s and Worldwide’s Investment Record**

22. In the course of their solicitations of customers and prospective customers, IFA Group and Worldwide, by their employees including Wexler, misrepresented IFA Group’s and Worldwide’s performance record. For example, during the relevant period, Wexler made the following representations:

- that ordinarily he only traded customer accounts worth at least \$100,000 and that he was making substantial profits for those customers;

- that he had extensive experience trading forex and had consistently made substantial profits for his IFA Group and Worldwide clients, including one, a plastic surgeon in New York, for whom Wexler claimed to have turned a \$50,000 investment into \$2 million;
- that he had appeared on MSNBC as a financial commentator, and had traded forex for a “big bank,” where he had supervised 120 traders;
- that he was managing \$5-6 million for other clients of IFA Group, and was consistently making money for those clients ;
- that his trading on their behalf had made his other customers at IFA Group and Worldwide “very happy”;
- that one of his customers at IFA Group had “recently made hundreds of thousands of dollars” betting on the euro to rise against the dollar.

23. At least two other IFA Group employees made similar representations, in claiming that IFA Group was making profits for its customers.

24. Between December 2003 and August 2004, IFA Group customer losses totaled almost \$2.5 million. During the same period IFA Group generated commissions and fees of at least \$932,980. All but two of IFA Group’s 106 customers lost almost all of their investments.

25. Between July 2004 and November 2004, Worldwide customers lost more than \$310,000. During the same period Worldwide generated commissions and fees of at least \$169,500. All of Worldwide’s 28 customers lost almost all of their investments.

Notwithstanding these abysmal results, IFA Group and Worldwide employees, including Wexler, consistently misrepresented trading performance and customer success in soliciting new customer accounts and additional investment.

## **The Defendants Misrepresented IFA Group's and Worldwide's Commission Structure**

26. IFA Group and Worldwide employees including Wexler routinely misrepresented the level of commissions that would be assessed against their investments.

27. Typically, commissions were not even mentioned until the customer had committed to an investment and was filling in account-opening documents. Those documents included a section headed "Notification of Fees," which purported to authorize payment of an unspecified commission. IFA Group and Worldwide customers were instructed to write "230," or "230 RT," beside the line labeled "Options." Many customers did not understand that they were thereby authorizing a charge of \$230 *per contract*, and understood instead that the charge would be assessed per trade.

28. IFA Group and Worldwide assessed a steeper commission for spread transactions – \$230 for the buy side of the order, and \$130 for the sell side. In several instances, Wexler misrepresented these commissions. In taped conversations with more than 20 Worldwide customers, Wexler can be heard stating that Worldwide charges \$200 on the buy side and \$100 on the sell side of a spread trade.

### **B. The Webmans Were Controlling Persons of IFA Group and Worldwide**

29. The Webmans were responsible for the overall day-to-day operations of both IFA Group and Worldwide. They oversaw the hiring of new employees, and supervised the sales and training of new employees.

30. The Webmans oversaw solicitation of prospective customers and supervised management of customer accounts. The Webmans monitored the solicitation calls of IFA Group and Worldwide employees on a daily basis.



31. IFA Group and Worldwide both had offices at 12000 Biscayne, Suite 509, in North Miami, Florida. Those offices were originally leased in the name of Paramount Consulting Group, Inc., a company entirely owned and controlled by Larry Webman.

32. Despite actual or constructive knowledge of the fraudulent sales solicitations and practices of IFA Group's and Worldwide's employees, the Webmans failed to take any corrective action to address the fraudulent acts of those employees.

## V. STATUTORY BACKGROUND

33. Section 2(c)(2)(B)(i) and (ii) of the Act provides that the Commission shall have jurisdiction over an agreement, contract or transaction in foreign currency that is a sale of a commodity for future delivery (or option thereon) or an option, so long as the contract is "offered to, or entered into with, a person that is not an eligible contract participant", and "the counterparty, or the person offering to be the counterparty," is not one of the regulated entities enumerated in Section 2(c)(2)(B)(ii)(I-VI).

34. Section 2(c)(2)(B)(ii)(I-VI) of the Act identifies regulated entities that are exempted counterparties to foreign currency transactions with retail customers, which include, as set forth in subclause (II), futures commission merchants ("FCMs") and, as set forth in subclause (III), certain statutorily defined affiliates of FCMs, which encompasses only those "affiliated" persons as to whom the FCMs are required under the Act and Commission Regulations to make and keep records.

35. Notwithstanding subclauses (II) and (III) of subparagraph (B)(ii), Section 2(c)(2)(C) of the Act provides that agreements, contracts, or transactions in retail foreign currency described in subparagraph (B) are subject to Sections 4b (antifraud provision) and 4c(b)

of the Act if they are entered into by an FCM or an affiliate of an FCM, which is not also an entity described elsewhere in subparagraph (B)(ii)(I-VI).

36. During all times relevant to the transactions at issue here, the counterparty to the retail forex options transactions entered into by IFA Group's customers was NCCI FX, a subsidiary of National Commodities Clearing Inc. ("NCCI"). At all times relevant to this Complaint, NCCI was an FCM registered with the Commission, and NCCI FX was not an affiliate of NCCI for the purposes of Section 2(c)(2)(B)(ii)(III) of the Act, in that NCCI was not required under the Act or Commission Regulations to make and keep records concerning the business or activities of NCCI FX.

37. During all times relevant to the transactions at issue here, the counterparty to the retail forex options transactions entered into by Worldwide's customers was Worldwide Clearing, a registered FCM.

38. The Act anticipates that wealthy or institutional investors – known as “eligible contract participants” – that meet certain financial criteria and that trade foreign currency futures or options contracts have sufficient resources to protect their own interests when entering into foreign currency transactions, and therefore their transactions fall outside the Commission's jurisdiction. The Act further contemplates that the forex futures or options transactions of investors who do not meet the financial criteria to be eligible contract participants (and who are referred to herein as “retail customers”) shall fall within the Commission's jurisdiction.

39. Section 1a(12)(A)(xi) of the Act defines an eligible contract participant as an individual who has total assets in excess of: a) \$10 million; or b) \$5 million and who enters the transaction to manage the risk associated with an asset owned or a liability incurred, or reasonably likely to be owned or incurred.

40. All of the foreign currency transactions alleged herein were offered to or entered into with persons who did not qualify as eligible contract participants, meaning that the customers of IFA Group and Worldwide were retail customers whose transactions are contemplated by Section 2(c)(2)(C) of the Act to be within the Commission's jurisdiction.

41. Accordingly, the Commission has jurisdiction over this action.

## **VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT**

### **COUNT ONE: OPTIONS FRAUD (7 U.S.C. § 6c(b) and 17 C.F.R. §§ 1.1, 32.9)**

42. Paragraphs 1 through 43 above are realleged and incorporated by reference.

43. Section 4c(b) of the Act, 7 U.S.C. § 6c(b), makes it unlawful to offer to enter into, enter into or confirm the execution of, any transaction involving any commodity regulated under the Act which is of the character of, or is commonly known to the trade as, an "option," "privilege," "indemnity," "bid," "offer," "put," "call," "advance guaranty," or "decline guaranty," contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe.

44. Commission Regulation 1.1, 17 C.F.R. § 1.1, makes it unlawful for any person, directly or indirectly, in or in connection with any account, agreement, contract or transaction (subject to the Commission's foreign exchange jurisdiction, as set forth herein): (1) to cheat or defraud or attempt to cheat or defraud any person; (2) willfully to make or cause to be made to any person any false report or statement or cause to be entered for any person any false record; or (3) willfully to deceive or attempt to deceive any person by any means whatsoever.

45. Commission Regulation 32.9, 17 C.F.R. § 32.9, makes it unlawful for any person directly or indirectly, (a) to cheat or defraud or attempt to cheat or defraud any other person; (b)

to make or cause to be made to any other person any false report or statement thereof or cause to be entered for any person any false record thereof; (c) to deceive or attempt to deceive any other person by any means whatsoever in or in connection with an offer to enter into, the entry into, or the confirmation of the execution of, any commodity option transaction.

46. IFA Group and Worldwide employees including Wexler, in connection with offers to enter into, the entry into, the confirmation of the execution of commodity options transactions, which were subject to the Commission's foreign exchange jurisdiction as set forth herein, cheated or defrauded or attempted to cheat or defraud customers, and deceived or attempted to deceive customers, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulations 1.1 and 32.9, 17 C.F.R. § 32.9.

47. The fraudulent acts of the IFA Group and Worldwide employees including Wexler occurred within the scope of their employment with IFA Group and Worldwide. IFA Group and Worldwide, therefore, violated Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulations 1.1 and 32.9, 17 C.F.R. §§ 1.1 and 32.9 pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2.

48. The Webmans directly or indirectly controlled the other defendants, and did not act in good faith or knowingly induced, directly or indirectly, the violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulations 1.1 and 32.9, 17 C.F.R. §§ 1.1, 32.9 alleged as to the employees of IFA Group and Worldwide, including Wexler. The Webmans therefore are controlling persons and are liable for these acts pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

49. Each material misrepresentation and omission made during the relevant time period by the employees of IFA Group and by Worldwide including Wexler, including but not

limited to those specifically alleged herein, is a separate and distinct violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulations 1.1 and 32.9, 17 C.F.R. §§ 1.1 and 32.9.

## **VII. RELIEF REQUESTED**

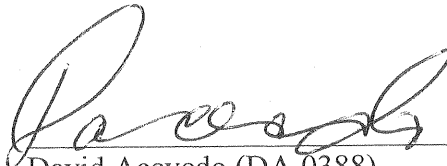
**WHEREFORE**, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1, and pursuant to its own equitable powers, enter:

- a. an order finding that IFA Group, Worldwide, the Webmans, and Wexler violated Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulations 1.1 and 32.9, 17 C.F.R. §§ 1.1 and 32.9;
- b. a permanent injunction prohibiting IFA Group, Worldwide, the Webmans, and Wexler from engaging in conduct in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulations 1.1 and 32.9, 17 C.F.R. §§ 1.1 and 32.9, and from engaging in any commodity-related activity, including soliciting new customers or trading commodity-related accounts on behalf of any customer;
- c. an order directing IFA Group, Worldwide, the Webmans, and Wexler to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act or of the Commission Regulations, as described herein, and interest thereon from the date of such violations;
- d. an order directing IFA Group, Worldwide, the Webmans, and Wexler to make full restitution, pursuant to such procedure as the Court may order, to every customer whose funds were received by them as a result of acts and practices

which constituted violations of the Act and the Commission Regulations, as described herein, and interest thereon from the date of such violations;

- e. an order directing IFA Group, Worldwide, the Webmans, and Wexler to pay a civil monetary penalty in the amount of not more than the higher of \$120,000, or to the extent that any violation took place after October 23, 2004, \$130,000, or triple the monetary gain to each defendant for each violation of the Act or the Commission Regulations; and
- f. such other and further remedial ancillary relief as the Court may deem appropriate.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David Acevedo', is written over a horizontal line.

David Acevedo (DA 0388)  
Stephen R. Morris (SM 9515)  
Commodity Futures Trading Commission  
Division of Enforcement  
140 Broadway  
New York, NY 10005  
(646) 746-9700  
(646) 746-9940 (facsimile)

Dated: May 19, 2005